



Annual Report 1960
FOOD FAIR STORES, INC.

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Annual Report 1960

FOOD FAIR STORES, INC.

For the fiscal year ended April 30, 1960



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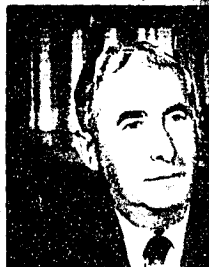
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The Year in Brief

	Fiscal Year	
	1960 (52 Weeks)	1959 (53 Weeks)
Sales	\$771,171,733	\$733,960,099
Net Income	\$ 11,395,538	\$ 10,395,874
Net Income per dollar of sales	1.48%	1.42%
Net Income per share of common stock ..	\$2.11	\$1.95
Dividends Paid in Cash:		
Preferred Stock	\$ 224,207	\$ 254,215
Common Stock	\$ 5,304,344	\$ 4,673,441
Earnings retained in the business	\$ 5,866,987	\$ 5,468,218
Current assets	\$ 89,099,146	\$ 86,401,076
Current liabilities	\$ 36,992,113	\$ 34,817,833
Working capital	\$ 52,107,033	\$ 51,583,243
Number of supermarkets	404	368

Samuel Friedland
Chairman of the Board



Louis Stein
President

To Food Fair Shareholders:

Both sales and earnings of your Company set new high marks during the fiscal year ended April 30, 1960. Significantly, the increase in net earnings over the previous year, in percentage, was substantially greater than the increase in total sales—a gauge of the improved efficiency of our operations and our employes.

At \$771 million, sales in fiscal 1960 were higher by five percent than those of fiscal 1959—despite the shorter year, 52 weeks against 53. This was the 27th consecutive year in which an increase has been shown. Net income of \$11,395,000 was almost 10 percent higher than the fiscal 1959 figure—extending to seven years an unbroken series of new earnings records.

Food Fair Stores' 400th supermarket was opened on October 21, 1959, in Levittown, New Jersey. On April 27, 1960, we observed our 40th birthday as a retailer. This, too, was celebrated with a store opening at Bayville, New Jersey. It was our 82nd unit in New Jersey.

During the year, we extended our operations to Rhode Island, bringing to 10 the number of eastern regional states in which we are represented. At the close of the fiscal year, 404 Food Fair supermarkets were in operation, as well as 20 units of Best Markets, Inc.

While it is pleasant to reflect on past accomplishments, the strength of Food Fair is that it always looks forward to things yet to do.

In last January's economic report to the nation, President Eisenhower forecast a \$723-billion-a-year gross national product for the United States in 1970. By then, population is expected to increase to 210 million people with ten million more families than exist today, commanding \$450 billion a year in disposable income.

Assuming that food expenditures will take the same 20.7 percent of disposable income prevalent today, total retail food sales by 1970 should rise to approximately \$90 billion, compared with 1959's \$52 billion. We foresee an even greater role for the supermarket both in fulfilling its mission to provide an ever-expanding nation with the finest of food products and related services and also in continuing, as an industry, to contribute still further to the economic advancement of our country. In the past three decades, advances in the science of distribution achieved by the self-service supermarket industry have had a significant impact on the nation's economy, and were directly influential in raising the standard of living to today's high level.

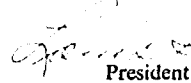
In looking forward to the future, we at Food Fair take the position that the industry's achievements of the past must be the guideposts to our further endeavors. Our greatest efforts must be directed toward developing a still more highly efficient system of distribution so that the broadest scope of goods and services can be offered supermarket shoppers at the lowest possible price. In the final analysis, what we must strive for is to raise still higher America's high standard of living.

The record of achievements amassed by the supermarket industry is the best assurance to ourselves and to the nation that we will meet the challenges and opportunities that lie ahead.

As regards our own Company, we are confident that, with the help of our growing family of loyal and efficient men and women, Food Fair Stores, in the future, will continue in the vanguard of further food retailing development.

Sincerely,


Chairman of the Board


President

July 29, 1960

Review of Operations

SALES, EARNINGS AT NEW PEAKS Sales of Food Fair Stores, Inc., for the fiscal year ended April 30, 1960, rose to a new record total of \$771,171,733. For the preceding year, ended May 2, 1959, sales totaled \$733,960,099. This is an increase of 5.1 percent. The gain is the more impressive because there were 53 weeks in fiscal 1959 and 52 weeks in the year just closed.

Operating earnings, after all charges but before Federal and State income taxes, amounted to \$22,521,243, compared with \$20,799,414 for the fiscal year of 1959. Net income of \$11,395,538 was equivalent, after preferred dividend requirements, to \$2.11 a share on the average number of shares of common stock outstanding during the year. This was a 9.6 percent increase over fiscal 1959, when net earnings of \$10,395,874 were equal to \$1.95 a share.

Margins of profit in the supermarket industry are historically slim. For Food Fair Stores, during fiscal 1960, net profit margin rose to 1.48 percent of sales from the 1.42 percent of the previous year. This improved margin, obviously, accounts for the fact that the increase in net was larger, proportionately, than the increase in sales. Management pursued a "Profiting Through Effectiveness" employe campaign diligently throughout the year, and this is reflected in the results. Here is heartening evidence that increased operating expenses can be offset by energy and intelligence all along the line.

DIVIDEND TOTAL RISES IN YEAR Dividends on Food Fair's common stock continued during the fiscal year of 1960 at the rate of \$1 a share, paid in four 25-cent declarations. Regular dividends of \$1.05 quarterly on the \$4.20 cumulative preferred stock were paid during the year. On both classes of stock, dividends in fiscal 1960 amounted to \$5,528,551, an increase of \$600,895 over the \$4,927,656 paid to stockholders during the prior year. The \$5,866,987 remaining from the year's earnings was retained for further investment in the company.

STORE EXPANSION CONTINUES Food Fair added 42 stores during the fiscal year of 1960, closed six outmoded stores, and ended the period with 404 supermarkets in operation, plus 20 units of Best Markets, Inc. Integration of Best Markets, Inc., into Food Fair Stores is still being delayed by litigation, although it is anticipated that this matter will be settled shortly. Acquisition of a supermarket in Westerly, Rhode Island, extended Food Fair's operations into ten states of the Atlantic Seaboard, stretching from Rhode Island to Florida.

The accelerating pace of acceptance of the supermarket concept, in which Food Fair pioneered at the depth of the great depression, can be shown in a few figures: from one market to 100 markets comprised 15 years' growth for Food Fair. From 100 to 200 spanned six years; 200 to 300, four years; and 300 to 400 only 17 months!

Supporting facilities for our growing retail space kept pace during the year. A complete food distribution center was opened in July of this year in Jacksonville, Florida, to serve the markets in northern and central Florida and southeastern Georgia. One-third of its space is refrigerated and air-conditioned to assure the highest quality perishable merchandise.

A seafood warehouse in Philadelphia's nationally acclaimed Food Distribution Center was built and opened during the year. This warehouse is capable of distributing a million pounds of seafood a week to markets within a 100-mile radius of that city, and also distributes frozen seafood to key points serving the entire chain.

Adjacent to the seafood warehouse, work has begun on a general warehouse and transportation service center. This will occupy a 47-acre site, assuring us that from this strategic location we can meet present and future needs. It will have 800,000 square feet under roof, and provide highly mechanized, efficient facilities for storing groceries, fresh meats and produce, as well as maintaining Food Fair's fleet of trucks serving this region. The availability of express highways and other excellent transportation facilities will eliminate inter-city traffic problems and result in significant economies in distribution.

Food Fair Stores, Inc.

Food Fair's expansion plans contemplate increased emphasis on providing additional services in the areas where it is established as the quality supplier of consumer needs. One long step in this direction was taken during the past year by the opening of a group of gasoline stations on Food Fair parking lots. As the nation grows increasingly suburbanized, the homemaker finds herself more and more entrusted with every detail of keeping the home plant in operation. These filling stations offer her the opportunity of having the family automobile serviced as she shops for food, rather than entailing a separate time-consuming trip.

SOUND FINANCING SPEEDS GROWTH Food Fair's rapid pace of growth can be sustained only by substantial new investment each year. By reason of the foresight shown in its offering of \$21,203,200 of four percent subordinated convertible debentures in April of 1959, just at the end of the previous fiscal year, Food Fair Stores found itself largely protected from the credit squeeze that came as calendar 1959 ended—a squeeze that found the United States Government compelled to pay five percent interest on its five-year loans.

Cash and marketable securities increased during the fiscal year from \$22,211,899 to \$25,426,357. Inventories of merchandise and supplies rose to \$52,661,250 on April 30, 1960, from \$46,228,537 a year earlier, reflecting the enlarged sales and additional markets.

Working capital increased in the course of the year to \$52,107,033 from \$51,583,243. Net fixed assets rose to \$64,432,510 from \$60,310,100, mainly due to the larger number of markets.

CAPITALIZATION During the year Food Fair purchased and cancelled \$419,000 of preferred stock, reducing to 52,060 the number of shares of this issue outstanding. The number of shares of common stock increased by 8,945, largely the result of the exercise of restricted stock options. Capital surplus increased to \$29,267,519 from \$29,002,924, and earned surplus to \$32,534,524 from \$26,667,537, during fiscal 1960. Net worth increased to an all-time high of \$72,318,586 from \$66,597,059, principally from retention of earnings.

FOOD FAIR PROPERTIES, INC. Building upon the supermarket principle of one-stop shopping for many necessities, the shopping center is a spreading phenomenon of our times. Food Fair Stores has capitalized on the shopping center's popularity through its shopping center development and operating affiliate, Food Fair Properties, Inc. Since its incorporation in late 1955, this company has fully completed and operates 20 shopping centers. Two more centers, partially open, are being completed. Six new centers are under construction, and four additional are in development prior to construction. Food Fair supermarkets are operating in all these centers.

Food Fair Properties is a publicly-owned company, financing its own operations through mortgages and debentures. Food Fair Stores maintains a substantial stock interest in this company.

FOOD FAIR AS A GOOD CITIZEN Providing three-quarters of a billion dollars' worth of foodstuff of the highest quality to the American housewife is a full-time job, and our Company concentrates its energies on that task.

Nevertheless, Food Fair is fully aware of its responsibilities to the communities and to the people it serves, and endeavors to carry them out as a good citizen and a good neighbor, as well as a good merchant.

In the pursuit of such community welfare activities, Food Fair employes at various levels were singled out during the year for commendation.

Among such honors was the presentation to President Louis Stein of the 1959 Brotherhood Award of the National Conference of Christians and Jews. Our Company is equally proud of the honor accorded Edward J. Cassell, manager of our market in Glen Burnie, Maryland, who was named one of seven national winners of good citizenship awards in a nationwide competition sponsored by the

Food Fair Stores, Inc.

National Association of Food Chains.

During the year, among other community honors, Food Fair Stores was cited by the Greater Philadelphia United Fund organization for outstanding service to the 1960 fund drive, and by the Freedoms Foundation for a specific contribution to bringing about a better understanding of the American way of life.

In the field of community sports, Food Fair supermarkets sponsored no fewer than 60-odd Little League baseball teams in the 1959 season, and is fielding almost 70 in 1960. This program enables some 1,000 youngsters in areas in which we operate to participate in organized recreational activities of benefit to them and, eventually, to the communities.

SCHOLARSHIP PROGRAM EXPANDS The Food Fair Stores Foundation, established in 1952 tangibly to express our sense of responsibility toward providing our nation with a greater resource of educated talent from its vast natural reservoir of eager youth, entered the sixth year of its scholarship program.

Scholarship grants are available to deserving students from the communities served by Food Fair supermarkets and to our Company's employes and their children. During the 1959-60 school year, 242 students attended 28 colleges and universities under Food Fair scholarship grants.

Food Fair Stores, Inc., was signally honored for its educational endeavors by the Philadelphia Press Association, who presented to President Stein its highly respected Dean's Award.

LONG SERVICE ROLL INCREASES With the expansion of its supermarket chain, the Company's greatest asset, the Food Fair Family, also attained a new high. At year-end there were approximately 23,000 men and women in our Company's employ.

The lengthening roll of veteran employes in this total gives glowing evidence that these men and women find Food Fair a good place to work. Today, more than 6,400 persons, or close to 40 percent of all full-time employes, are veterans of five years or more of continuous service. It is significant to note that of this number, almost 2,000 wear emblems denoting 10 years or more of service.

This is indeed a remarkable record, when one considers that 10 years ago total employment in the Company was only 6,300 persons, and that 25 years ago the total Food Fair staff in all ranks was only 625 men and women.

PERSONNEL DEVELOPMENT PACES EXPANSION Formal programs for the development of management personnel continued to provide our Company with the capable men and women prepared to assume more responsible positions opened by the expansion of our operations.

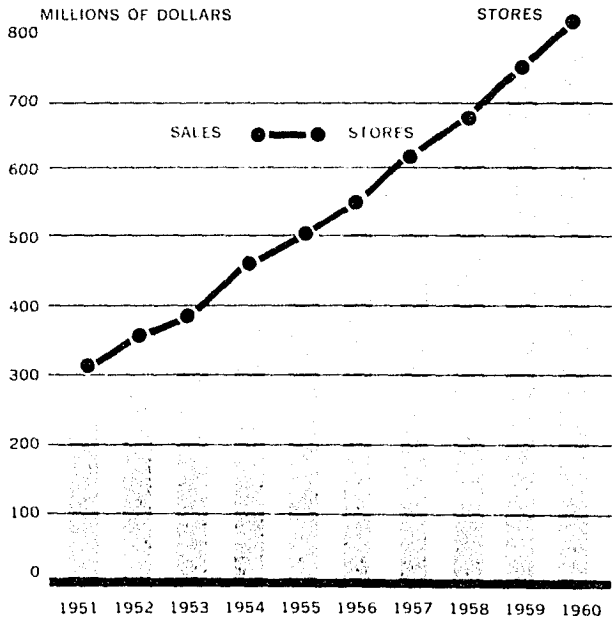
Many of those gaining promotions were participants of the Company's Management Institute, inaugurated in 1958 to broaden the capacity of key people for advancement in management ranks. Store managers, given monthly instruction in merchandising, food processing, distribution and food industry economics, have proved highly responsive to the opportunities to prepare themselves to move upward in Food Fair.

During the year more than 100 separate workshop clinics were held in all locations. While this form of instruction was concentrated on the store managers, other clinics were held for supervisors, for department heads, and for many others. All these clinics served to heighten the efficiency of operations.

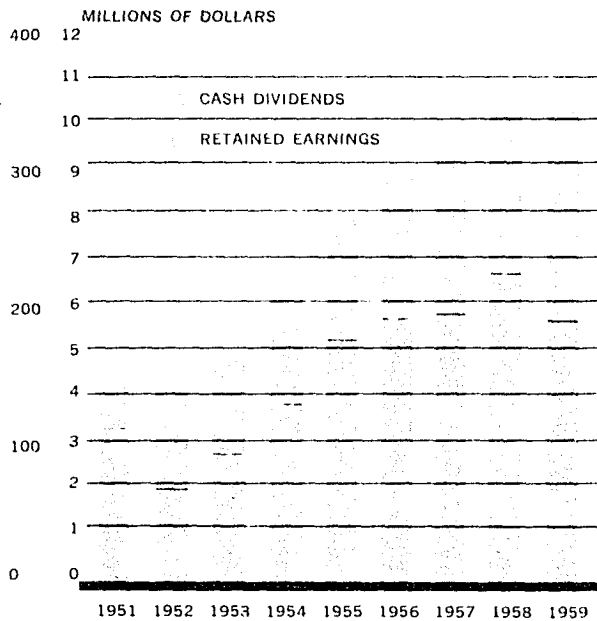
In addition, a personnel survey was undertaken to record the capabilities and the aspirations of our key people. Not only did this survey unearth much hidden talent which is proving useful, but it gave specific indications of where training might be concentrated to assure the most competent talent for the future



Sales and Number of Stores



Distribution of Net Earnings



Along with the on-the-job instruction, our Company continued its employee self-development program through which personnel may gain academic training in fields related to present duties, to help prepare them for higher ones.

MANAGEMENT CHANGE The retirement of Mr. George Friedland as Vice Chairman of the Board of Directors took place during the year. Mr. Friedland, who served as President from 1941 to 1953, announced his intended retirement at the annual meeting of shareholders last August. There was at that time spread upon the minutes of the meeting a formal resolution expressing appreciation by Food Fair's management and shareholders for Mr. Friedland's devoted service and inspiring leadership through the formative years of Food Fair Stores, and a wish for good fortune in the new undertakings to which he was devoting himself. Mr. Friedland continues to serve our Company as a director.

OUTLOOK: PROBLEMS AND OPPORTUNITIES Any view of the outlook for the supermarket industry, or for any major entity in that industry, must encompass a normal quota of problems. And yet, if we consider how far the industry has come, and what it has contributed to the nation's economic well-being, we must conclude that on balance our outlook is promising, and deservedly so. We have used well the responsibilities entrusted to our care.

The chain food retailing industry may well be proud of the fact that while building a remarkable record of growth, it has compiled an equally remarkable record of service to consumers. The highly efficient supermarket system of distribution has helped raise the nation's food standard of living as, through the years, it made more and better food available for a steadily decreasing share of the family's disposable income. This is reflected in data issued by the United States Department of Agriculture showing that in the 1935-39 period, consumers spent on food an average of 23.1 percent of disposable income, while in 1959, the comparable figure was only 20.7 percent.

Food Fair Stores, Inc.

Had the average consumer, however, purchased the same types and quantities of food in 1959 as she purchased in 1935-39, the actual cost of that same food basket would have been 14.9 percent of her disposable income rather than 23.1 percent of 20-odd years ago.

Today's 20.7 percent of disposable income spent for food therefore represents a one-third higher food standard of living, reflected in more nutritious, more convenient, and more varied kinds of food. Americans are eating better than ever, and at the same time have available a greater share of their income for other goods and services than two decades ago.

An industry achievement of utmost significance has been the reduction in distributive costs directly brought about by the self-service food retailing system. Since the advent of food chains and the expansion of the supermarket system, the combined wholesaler-retailer margin on food has been reduced from about 35 percent to the 20 percent general today, a reduction of almost 45 percent in distributive costs. The impact on the national economy of this cost reduction becomes striking when applied to the current \$52 billion annual retail food bill. Savings of approximately \$7.5 billion annually thus become available to American consumers as purchasing power for other goods and services. The interest displayed by foreign visitors, royalty and business leaders alike, would seem to confirm the fact that the abundantly-stocked supermarket has come closer to the real meaning of modern America than have mass production lines.

The upgrading of dietary standards, and the savings in food preparation time for the busy housewife, are gifts of improved distribution stemming from the rise of the supermarket, which, in turn, encouraged research and developments in food processing. And they are gifts, as we have seen; rather than paying more of the family's income for foods today, the family pays less. Moreover, a good many of the items that fill the market basket today did not exist 20 years ago; many others have been transformed in substance and appearance.

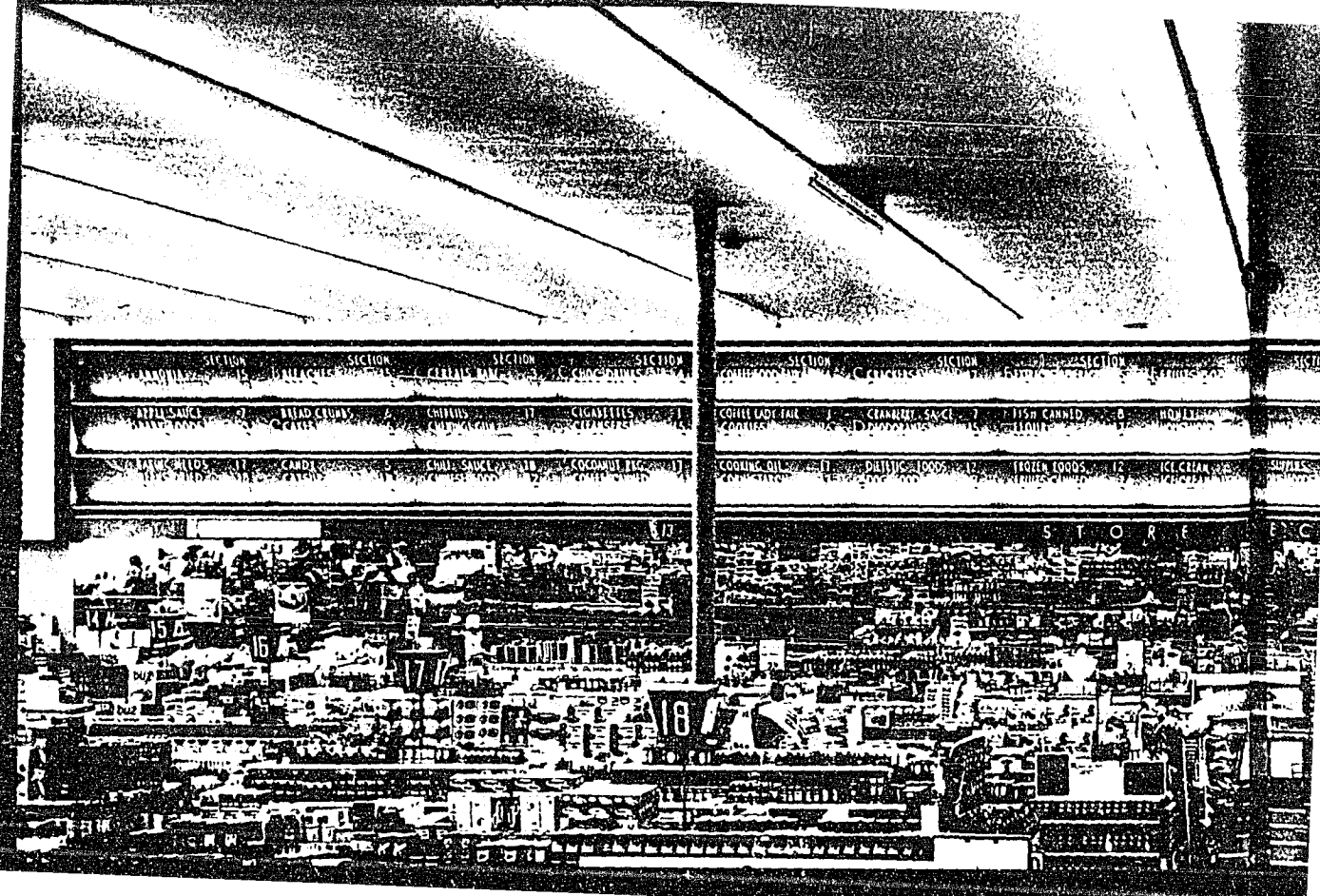
A vast supplier industry has also been a prime beneficiary of the growth of the supermarket industry. Farmers, processors, manufacturers, and allied industries, have developed substantially as the self-service supermarket industry has brought about the mass distribution and mass consumption so vital to sustain mass production.

As we look forward, we see great challenges and greater opportunities. Those 210 million Americans, those 10 million additional families forecast for 1970, are our opportunity and our responsibility.

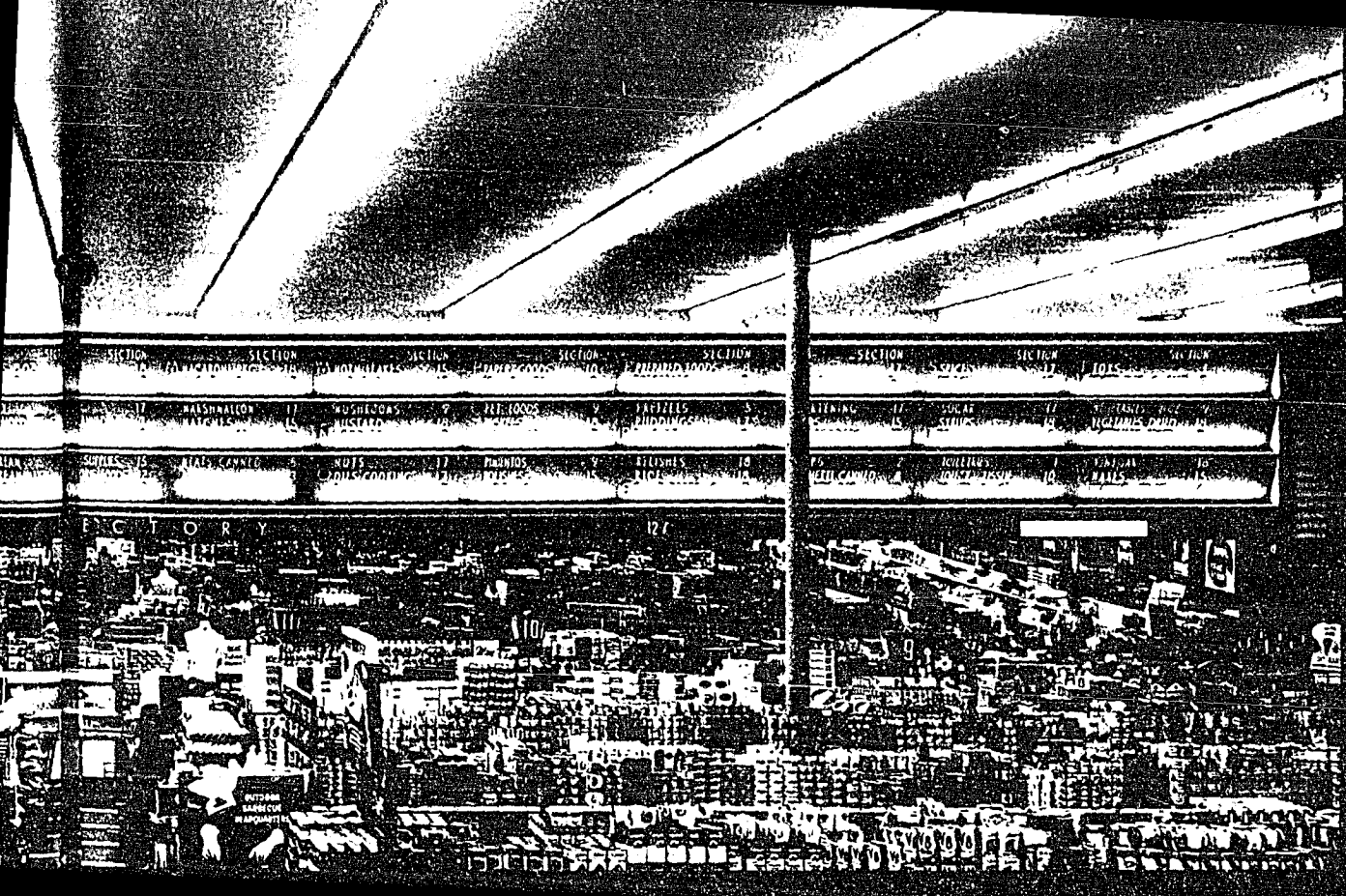
We believe that this industry which, in the development of the world's most efficient system of distribution displayed great creative force, energy, and zeal, is eminently qualified to fulfill its responsibility to meet these challenges. While pursuing its basic purpose of profitable enterprise, the food distribution industry will continue, in a major way, to serve our communities, the nation, and our people. Food Fair Stores is dedicated to this course of action.

ANNUAL MEETING AUGUST 16, 1960 The annual meeting of shareholders of Food Fair Stores, Inc. will be held on August 16, 1960, at 2 P.M., in the North Garden Room of the Bellevue-Stratford Hotel, Philadelphia, Pa. Your management cordially invites all shareholders who can conveniently do so to attend.

Enclosed with this report are a notice of the annual meeting, a proxy, and a proxy statement. Shareholders unable to attend the meeting are urged to date, sign, and return the enclosed proxy in accordance with instructions appearing on the form, so that they may be represented and their shares voted.



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Financial

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Ten-Year Statistical Summary

Food Fair Stores, Inc. and Subsidiary Companies

YEAR ENDED	NUMBER OF STORES AT END OF YEAR	SALES [†]	NET INCOME BEFORE TAXES ON INCOME [†]	FEDERAL AND STATE INCOME TAXES [†]	NET INCOME [†]	CASH DIVIDENDS [†]	EARNINGS RETAINED [†]
April 30, 1960	404	\$771,172	\$22,521	\$11,126	\$11,395	\$5,528	\$5,867
May 2, 1959*	368	733,960	20,799	10,403	10,396	4,928	5,468
April 26, 1958‡	332	654,829	20,035	9,913	10,122	3,529	6,593
April 27, 1957	310	592,460	18,616	9,586	9,030	3,444	5,586
April 28, 1956	275	517,289	17,573	8,650	8,923	3,347	5,576
April 30, 1955	250	443,880	15,924	8,190	7,734	2,565	5,169
May 1, 1954*	230	376,384	13,182	7,121	6,061	2,183	3,878
April 25, 1953	194	318,081	10,626	5,813	4,813	2,118	2,695
April 26, 1952	180	281,863	8,981	4,963	4,018	2,077	1,941
April 28, 1951	151	224,677	10,155	5,268	4,887	1,779	3,108

* 53 Weeks

† 000 Omitted

‡ Pro forma combined statistics, including the Setzer Corporations, from 1958 through 1951

CONSOLIDATED STATEMENT OF Earnings

Food Fair Stores, Inc. and Subsidiary Companies

FOR THE YEAR ENDED

	(52 WEEKS) <u>APRIL 30, 1960</u>	(53 WEEKS) <u>MAY 2, 1959</u>
Sales	\$771,171,733	\$788,960,099
Cost of sales	<u>631,504,516</u>	<u>603,556,165</u>
Gross profit from sales	\$139,667,217	\$180,403,934
Operating expenses	<u>118,627,237</u>	<u>110,104,337</u>
Profit from operations	\$ 21,039,980	\$ 20,299,597
Other income	<u>3,520,568</u>	<u>2,240,018</u>
Profit before interest expense	\$ 24,560,548	\$ 22,539,615
Interest expense	<u>2,039,305</u>	<u>1,740,201</u>
Net income before Federal and State taxes on income ..	<u>\$ 22,521,243</u>	<u>\$ 20,799,414</u>
Federal and State taxes on income:		
Federal	\$ 10,420,065	\$ 9,734,243
State	<u>705,610</u>	<u>669,297</u>
Total Federal and State taxes on income	<u>\$ 11,125,705</u>	<u>\$ 10,403,540</u>
Net income	<u><u>\$ 11,395,538</u></u>	<u><u>\$ 10,395,874</u></u>

Executive Vice President, Major B. Meyers; 1959-1960; Chairman, Malcolm E. Kent, Wilmington Township, N. J., a successful player during his 20+ years' career in the U.S.A.

	<u>MAY 2, 1959</u>
Cash	\$15,758,209
Marketable securities, at cost	6,453,690
Accounts receivable	3,900,124
Inventories, at lower of cost or market	46,228,537
Prepaid expenses	1,538,001
Properties completed and under construction covered by commitments to purchase and lease back, net of payments received on account - 1960,	
	<u>12,522,515</u>
	<u>\$86,401,076</u>
Accounts payable	\$16,879,450
Accrued salaries and expenses	10,429,245
Federal and State income taxes payable	7,509,138
	<u>\$34,817,833</u>
	<u>\$51,583,243</u>
Investments, at cost:	
Capital stock - Food Fair Properties, Inc.	4,211,411
Other	1,885,431





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CONSOLIDATED STATEMENT of Financial Condition

Food Fair Stores, Inc. and Subsidiary Companies

CURRENT ASSETS	APRIL 30, 1960	MAY 2, 1959
Cash	\$16,628,116	\$15,758,209
Marketable securities, at cost	8,798,211	6,453,690
Accounts receivable	6,217,111	3,900,124
Inventories, at lower of cost or market	52,661,250	46,228,537
Prepaid expenses	1,769,007	1,538,001
Properties completed and under construction covered by commitments to purchase and lease back, net of payments received on account—1960	3,025,418	12,522,515
	<u>\$89,099,113</u>	<u>\$86,401,076</u>
LESS: CURRENT LIABILITIES		
Accounts payable	\$17,221,231	\$16,879,450
Accrued salaries and expenses	12,567,830	10,429,245
Federal and State income taxes payable	7,203,049	7,509,138
	<u>\$36,992,113</u>	<u>\$34,817,833</u>
WORKING CAPITAL	<u>\$52,107,003</u>	<u>\$51,583,243</u>
OTHER ASSETS		
Investments, at cost:		
Capital stock—Food Fair Properties, Inc.	1,244,444	4,244,444
Other	2,365,801	1,885,131
Land, at cost	9,542,957	8,516,740
Buildings and improvements, at cost, less allowance for depreciation—1960, \$12,075,136; 1959, \$10,521,046	23,717,786	22,865,229
Fixtures and equipment, at cost, less allowance for depreciation—1960, \$26,973,237; 1959, \$22,933,142	29,096,958	27,036,572
Miscellaneous other assets	2,071,809	1,891,559
	<u>\$123,149,788</u>	<u>\$118,022,918</u>
DEDUCT		
Mortgages payable, due after one year	\$ 5,203,502	\$ 6,027,659
Fifteen-year sinking fund debentures, 3%—due January 1, 1965 (Note 1)	1,337,000	4,626,000
Twenty-year sinking fund debentures, 3 $\frac{3}{8}$ %—due September 1, 1974 (Note 1)	17,718,000	17,904,000
Twenty-year convertible subordinated debentures, 4%—due April 1, 1979 (Note 1)	21,202,700	21,203,200
Liability for redemption of trading stamps, less estimated current amount included in accrued expenses	1,500,000	1,400,000
Deferred Federal income taxes (relating to accelerated depreciation)	870,000	265,000
	<u>\$50,831,202</u>	<u>\$51,425,859</u>
NET ASSETS	<u>\$72,318,586</u>	<u>\$66,597,059</u>
DERIVED FROM		
Capital stock:		
Preferred (Note 2)	\$ 5,206,000	\$ 5,625,000
Common (Note 3)	5,310,543	5,301,598
Surplus:		
Capital	29,267,519	29,002,924
Earned (Note 1)	32,531,521	26,667,537
	<u>\$72,318,586</u>	<u>\$66,597,059</u>

of highly efficient seafood distribution center in Philadelphia, Pa., which was in operation during the past year

CONSOLIDATED STATEMENT OF Surplus

Food Fair Stores, Inc. and Subsidiary Companies

CAPITAL SURPLUS

Capital surplus—May 2, 1959	\$29,002,924
ADDITIONS	
Excess of stated value over cost of 4,190 shares of cumulative preferred stock retired	42,233
Excess over par value of proceeds received from issuance of 7,135 shares of common stock through exercise of employees' stock options	166,602
Excess over par value of amount assigned to 1,800 shares of common stock issued pursuant to non-competition agreement	55,350
Excess of conversion price over par value of 10 shares of common stock issued for 4% convertible debentures	410
CAPITAL SURPLUS—APRIL 30, 1960	<u>\$29,267,519</u>

EARNED SURPLUS

Earned surplus—May 2, 1959	\$26,667,537
ADDITION	
Net income for the year (52 weeks) ended April 30, 1960	11,395,538
Total	<u>\$38,063,075</u>
DEDUCTIONS	
Dividends paid in cash:	
Preferred stock \$4.20 per share	\$ 224,207
Common stock \$1 per share	<u>5,304,344</u>
EARNED SURPLUS—APRIL 30, 1960	<u>\$32,534,524</u>

Notes to Financial Statements

The following notes are applicable to the Financial Statements as at April 30, 1960. Reference is made to previously issued report for the notes applicable to the statements as at May 2, 1959.

NOTE 1

The 3¹/₂% debentures require semi-annual sinking fund payments of \$225,000 through July 1, 1960 and \$300,000 thereafter through July 1, 1961. The 3³/₄% debentures require semi-annual sinking fund payments of \$300,000 through March 1, 1963, \$400,000 thereafter through March 1, 1969 and \$500,000 thereafter through March 1, 1974. The foregoing sinking fund requirements for the fiscal year ending April 29, 1961 have been anticipated.

The 4% debentures are convertible into common stock at \$12 per share (\$11.18 after July 8, 1960) through April 1, 1969. These debentures require semi-annual sinking fund payments beginning April 1, 1970 of 5% of the principal amount of the debentures outstanding on April 1, 1969.

The indentures covering the issuance of the debentures described above contain restrictions as to the payment of cash dividends and the redemption of shares of stock of the company. The maximum amount of earned surplus so restricted at April 30, 1960 was \$18,550,893.

NOTE 2

Preferred stock is \$1.20 cumulative, \$15 par value; 112,615 shares are authorized, of which 77,615 were issued, and 52,060 are outstanding. The corporation is obligated to set aside \$120,000 semi-annually as a sinking fund for the redemption of the preferred stock, which may be called for this purpose at \$100 per share plus accrued dividends.

NOTE 3

Common stock is \$1 par value; 10,000,000 shares are authorized of which 5,310,513 are issued and outstanding.

On June 7, 1960, the Board of Directors declared a common stock dividend of 2¹/₂%, payable in common stock on August 12, 1960 to stockholders of record on July 8, 1960. Pursuant thereto, there have been reserved for issuance 106,211 shares of common stock. For each share so issued, earned surplus will be charged at the market price on the ex-dividend date, but not in excess of \$30.63 per share. Of the amount so charged, \$1 per share will be credited to capital stock common, and the balance to capital surplus.

At April 30, 1960, there remained outstanding options granted to certain employees and officers to purchase 295,919 shares of common stock (301,868 shares after July 8, 1960) at prices ranging from \$21.35 to \$35.71 per share (\$23.87 to \$35.04 per share after July 8, 1960), such prices being 85%, 95%, and 110% of the market price on the dates the options were granted, adjusted for subsequent stock dividend and stock distribution. The options are exercisable on a cumulative basis to November 27, 1963.

NOTE 4

Costs and expenses include depreciation and amortization of \$7,107,492 and \$6,941,526 for the years ended in 1960 and 1959, respectively.

NOTE 5

The company rents the majority of the premises occupied. At April 30, 1960, the minimum annual rental for such premises under 380 leases expiring more than three years after that date amounted to approximately \$8,881,000 plus, in some instances, certain taxes, insurance and other expenses.

NEW YORK WILKES-BARRE
PHILADELPHIA LEWISTOWN
HARRISBURG

LAVENTHOL, KREKSTEIN & CO.

Certified Public Accountants

1528 WALNUT STREET
PHILADELPHIA 2, PA.

The Board of Directors
Food Fair Stores, Inc.

We have examined the consolidated statement of financial condition of Food Fair Stores, Inc. and its wholly-owned subsidiary companies at April 30, 1960, and the consolidated statements of earnings and surplus for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records, and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of financial condition, and related consolidated statements of earnings and surplus present fairly the consolidated position of the companies at April 30, 1960, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Laventhol, Krekstein & Co.
LAVENTHOL, KREKSTEIN & CO.

Philadelphia, Pa.
June 29, 1960

404 Food Fair Supermarkets

as of April 30, 1960

PENNSYLVANIA (78)

ABINGTON
ALLENTOWN (3)
BETHLEHEM (3)
BROOKHAVEN
BROOMALL
CAMP HILL
CARLISLE
CHESTER (3)
COATESVILLE
COLUMBIA
DREXEL HILL
EASTON
EAST YORK
ELKINS PARK
FEASTERVILLE
FLOUERTOWN
GLENSIDE
HARRISBURG (5)
HAVERTOWN
HORSHAM TOWNSHIP
KINGSTON
LANCASTER (3)
LANSDALE
LEBANON (2)
LEMOYNE
LEVITTOWN (2)
NORRISTOWN
PHILADELPHIA (21)
POTTSTOWN
QUAKERTOWN
READING (4)
SCRANTON
SHARON HILL
SHILLINGTON
SPRINGFIELD TWP
WEST CHESTER
WEST READING
WILKES BARRE
YORK (3)

FLORIDA (131)

BRADENTON
CLEARWATER (2)
CORAL GABLES (4)
CRESCENT CITY
CUTLER RIDGE
DANIA
DAYTONA BEACH (3)
DELAND (2)

DELRAY BEACH
EAU GALIE
FERNANDINA BEACH
FORT LAUDERDALE (7)
FORT MYERS
FORT PIERCE
GAINESVILLE (2)
GREEN COVE SPRINGS
HALEAH (4)
HOLLY HILL
HOLLYWOOD (1)
HOMESTEAD
JACKSONVILLE (22)
KEY WEST
LAKE CITY
LAKE WORTH (2)
LANTANA
LARGO
LIVE OAK
MADISON
MARATHON
MIAMI (26)
MIAMI BEACH (5)
MIAMI SPRINGS
N PALM BEACH
OCALA
ORLANDO (3)
PALATKA
POMPANO BEACH (2)
RIVIERA BEACH
ST AUGUSTINE
ST PETERSBURG (4)
SANFORD
SARASOTA (2)
STARKE
SURFSIDE
TALLAHASSEE
TAMPA (3)
WEST HOLLYWOOD
W PALM BEACH (2)
WILTON MANORS
WINTER PARK

NEW JERSEY (81)

ATLANTIC CITY (2)
BAYVILLE
BEDEVILLE
BERGENFIELD
BOUND BROOK
BRIDGETON
CAMDEN (2)
CLIFTON (2)

COLONIA
COLLINGSWOOD
COLUMBUS
DOVER
EAST ORANGE
EATONTOWN
ELIZABETH (3)
EMERSON
ENGLEWOOD
ERLTON
EWING TOWNSHIP
FAIR LAWN
FORT LEE
FRANKLIN PARK
GLASSBORO
HACKENSACK
HADDON TOWNSHIP
HALEDON
HAMILTON TWP (2)
HIGHLAND PARK
IRVINGTON
JERSEY CITY (3)
LAWRENCE TOWNSHIP
LEDGEDOOD
LEVITTOWN
LIVINGSTON
LODI
MADISON TOWNSHIP
MIDDLETOWN
MILLVILLE
MONTCLAIR
MORRISTOWN
NEPTUNE CITY
NEWARK (4)
NEW BRUNSWICK
NEW MILFORD
NORTH ARLINGTON
NORTH BERGEN
NUTLEY
OLD BRIDGE
PACKANACK LAKE
PARAMUS
PASSAIC
PATERSON (2)
PENNS GROVE
PHILLIPSBURG
POINT PLEASANT
RIDGEWOOD
ROSELLE
RUNNEMEDA
SALEM
SO. PLAINFIELD
STRATFORD
TEANECK

TOMS RIVER
TRENTON (2)
UNION
VINELAND
WEST NEW YORK
WESTVILLE

NEW YORK (40)

ASTORIA
BALDWIN
BAYSHIDE
BETHPAGE
BROOKLYN (3)
EAST MEADOW
ELMONT
FAR ROCKAWAY
FLORAL PARK
FLUSHING
FOREST HILLS
FRANKLIN SQUARE
FREEPORT
FRESH MEADOWS (2)
GREAT NECK
HICKSVILLE
JACKSON HEIGHTS (2)
JAMAICA
LEVITTOWN (2)
LYNBROOK
MANHASSET
MASSAPEQUA
NEW HYDE PARK (2)
NEW YORK (3)
NORTH BABYLON
OCEANSIDE
PEARL RIVER
PEEKSKILL
PLAINVIEW
QUEENS VILLAGE
STATEN ISLAND
WHITSTONE

MARYLAND (42)

BALTIMORE (24)
BALTIMORE
COUNTY (2)
BROOKLYN PARK
CATONSVILLE
COLLEGE PARK
DUNDALK
EASTON

ESSEX
FREDERICK
GLEN BURNIE (2)
HAGERSTOWN
LUTHERVILLE
PIKESVILLE
SEVERNA PARK
TOWSON (2)
WHEATON

DELAWARE (9)

BROOKSIDE
CLAYMONT
DOVER
NEW CASTLE
RICHARDSON PARK
WILMINGTON (3)
WILMINGTON MANOR

CONNECTICUT (9)

BRIDGEPORT
DANBURY
FAIRFIELD
NORWALK
STAMFORD (3)
STRATFORD
WESTPORT

VIRGINIA (8)

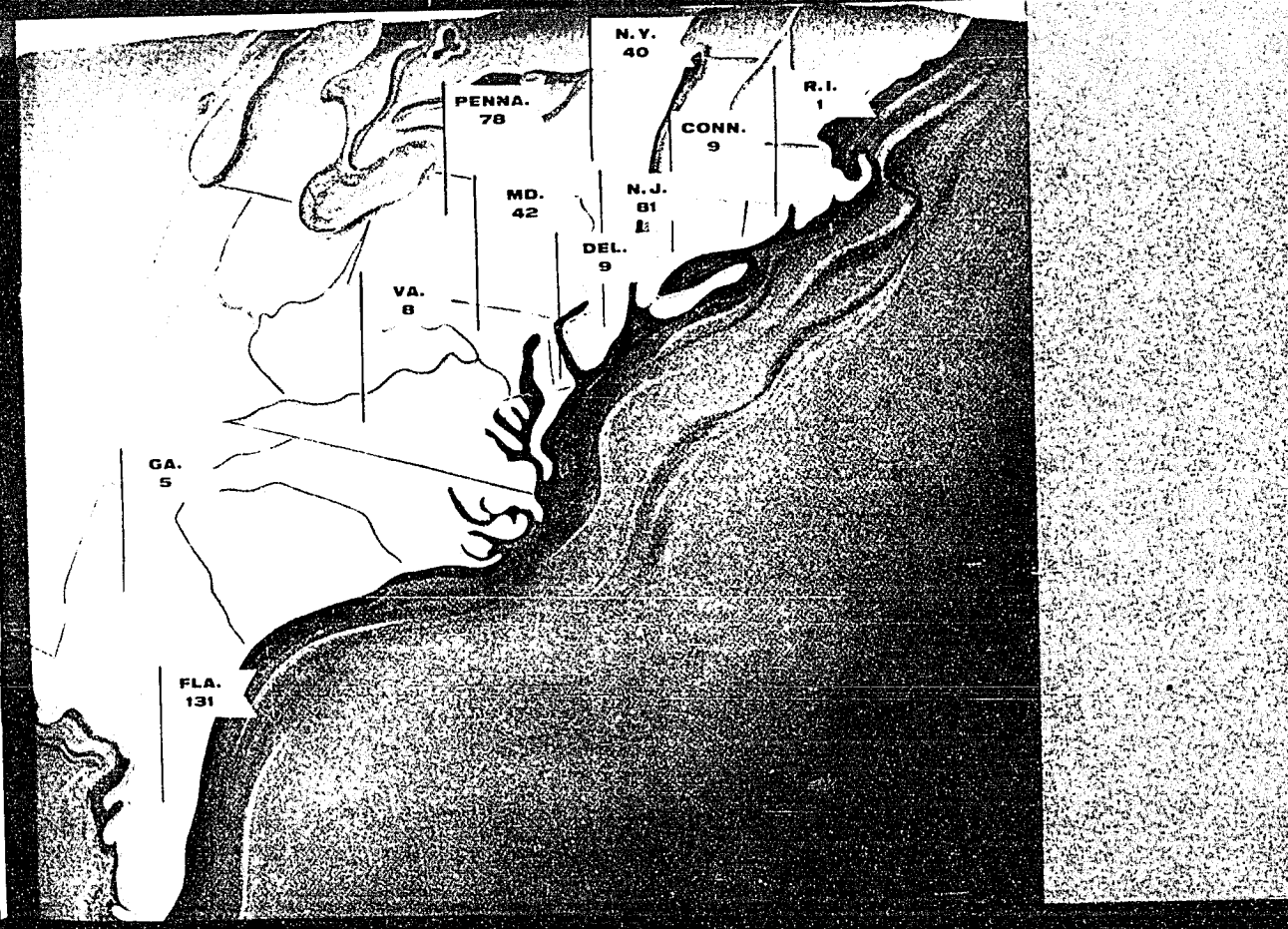
ARLINGTON
FALLS CHURCH
HAMPTON
NORFOLK (3)
RICHMOND (2)

GEORGIA (5)

BRUNSWICK
JESUP
SAVANNAH (2)
WAYCROSS

RHODE ISLAND (1)

WESTERLY



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Samuel Friedland
Chairman of the Board



Louis Stein
President



Myer B. Marcus
Exec. Vice President



Arthur Rosenberg
Vice President



Herman R.
Vice Presi-

Jack M. Friedland
Vice President



David T. Friedland
Vice President



Arnold D. Cohen
Vice President



Samuel P. Mandell
Vice President



B. F. Li
Secretary



MYER M. GORDON

The untimely death on May 15, 1960 of Myer M. Gordon, Treasurer, profoundly shocked and saddened all those associated with him. At a meeting on June 7th, the Board of Directors adopted a resolution citing the significant contributions Mr. Gordon had made to the progress of the Company over the years, noting that he became the Corporation's first Secretary in 1937 and was elected, Treasurer, in 1949. The resolution concluded with an expression of heartfelt sympathy for and condolences to Mr. Gordon's family.

Officers and Directors

OFFICERS

Samuel Friedland	<i>Chairman of the Board</i>
Louis Stein	<i>President</i>
Myer B. Marcus	<i>Executive Vice President</i>
Arthur Rosenberg	<i>Vice President</i>
Herman R. Silver	<i>Vice President</i>
Jack M. Friedland	<i>Vice President</i>
David T. Friedland	<i>Vice President</i>
Arnold D. Cohen	<i>Vice President</i>
Samuel P. Mandell	<i>Vice President</i>
F. Lieber	<i>Secretary</i>
Samuel Forman	<i>Assistant Secretary</i>
Joseph Rash	<i>Assistant Secretary</i>

DIRECTORS

D. Frederick Barton	New York, N. Y.
Gen. Omar N. Bradley	Washington, D. C.
George Friedland	Philadelphia, Pa.
Jack M. Friedland	Philadelphia, Pa.
Samuel Friedland	Miami Beach, Fla.
Hess Klime	Philadelphia, Pa.
Myer B. Marcus	Philadelphia, Pa.
Arthur Rosenberg	Philadelphia, Pa.
Harold W. Scott	Philadelphia, Pa.
Herman R. Silver	Philadelphia, Pa.
Louis Stein	Deal, N. J.
W. Paul Stillman	Newark, N. J.

EXECUTIVE OFFICES

33 East Allegheny Avenue
Philadelphia 34, Pennsylvania

GENERAL COUNSEL

Stein, Forman & Engel
1000 Market Street Building
New York City, N. Y.



TRANSFER AGENT

Registrar & Transfer Company
50 Church Street, New York, N. Y.
15 Exchange Place, Jersey City, N. J.

REGISTRAR

The Chase Manhattan Bank
10 Wall Street, New York, N. Y.

Fidelity Investments, Inc. \$1.20 preferred stock and common stock are fully listed on the New York Stock Exchange



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